

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105**

RH05047243

January 16, 2007

INITIAL STATEMENT OF REASONS
Proposed Amendments to CAARP Plan of Operations

PURPOSE OF THE REGULATION

Pursuant to California Insurance Code Section 11620 California Insurance Commissioner Steve Poizner will hold a public hearing regarding the recommendation of the California Automobile Assigned Risk Plan ("CAARP" or "Plan") to amend the Plan of Operations.

NECESSITY OF REGULATION

President Bush extended the Terrorism Insurance Act, providing for continuation of the Federal Terrorism Risk Insurance Program. However it excluded commercial auto and garage risks. The proposed forms will maintain the exclusion of catastrophic terrorism losses. AIPSO has also revised the general liability definition of "mobile equipment" and "auto" to exclude the over the road exposure for mobile equipment subject to auto insurance laws.

IDENTIFICATION OF STUDIES

The proposed amendments rely upon the expertise and experience of CAARP's Advisory Committee. No data, Studies information or reports were submitted for this proceeding.

SPECIFIC ACTIONS, PROCEDURES, TECHNOLOGIES OR EQUIPMENT

Adoption of the proposed changes would not mandate the use of specific technologies or equipment.

REASONABLE ALTERNATIVES

The Commissioner invites public comments on the proposed changes and reasonable alternatives which would be as effective to carry out the proposed changes.

ECONOMIC IMPACT ON BUSINESS

The Commissioner has initially determined that the proposed changes will not have a significant adverse economic impact on businesses. The Commissioner invites interested parties to comment on whether the proposed changes will have a significant adverse economic impact on business.